



AUDIT PLAN
As of September 30, 2016
OFFICE OF INSPECTOR GENERAL
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Overview

The U.S. Department of Housing and Urban Development's (HUD) primary mission is to create strong, sustainable, inclusive communities and quality, affordable homes for all. HUD seeks to accomplish this mission through a wide variety of housing and community development grant, subsidy, and loan programs. Additionally, HUD assists families in obtaining housing by providing Federal Housing Administration (FHA) mortgage insurance for single-family and multifamily properties. HUD relies upon many partners for the performance and integrity of a large number of diverse programs. Among these partners are cities that manage HUD's Community Development Block Grant (CDBG) funds, public housing agencies (PHA) that manage assisted housing funds, HUD-approved lenders that originate and service FHA-insured loans, Government National Mortgage Association (Ginnie Mae) mortgage-backed security issuers that provide mortgage capital, and other Federal agencies with which HUD coordinates to accomplish its goals. HUD also has a substantial responsibility for administering disaster assistance programs and is administering new mortgage assistance and grant programs in response to the Nation's financial crisis.

HUD had a \$49.3 billion budget for fiscal year (FY) 2016. This amount includes \$10.8 billion for Section 8 project-based rental assistance, \$21.1 billion for tenant-based rental assistance, \$950 million for the HOME Investment Partnerships Program (HOME), and \$3 billion for the CDBG program. The 2016 Consolidated Appropriations Act authorizes HUD to expand the Moving to Work demonstration program by an additional 100 high performing PHAs over a period of 7 years. Additionally, HUD allocated \$14.2 billion of the \$15.2 billion in CDBG disaster recovery funding to respond to the effects of Hurricane Sandy in FY 2013. The remaining \$1 billion is allocated to the National Disaster Resilience Competition, which was awarded in FY 2016.

HUD planned to respond aggressively to the housing crisis as well as contribute to broader national priorities on energy, sustainable growth, community revitalization, and poverty alleviation. This audit plan provides coverage of HUD's program areas and management and organizational reforms. It gives full consideration to the Office of Inspector General's (OIG) strategic plan and HUD's management challenges identified by OIG and reported to Congress annually.

The HUD OIG, Office of Audit

HUD OIG is one of the original 12 Offices of Inspector General established by the Inspector General Act of 1978. While part of HUD, OIG provides independent oversight of HUD's programs and operations.

The Office of Audit's activities are designed to promote economy, efficiency, and effectiveness in the administration of HUD programs; detect and deter fraud, waste, and abuse in HUD programs and operations; and ensure compliance with applicable laws and regulations.

The Office of Audit is responsible for conducting audits, civil fraud reviews, and investigations. This work identifies, assesses, and reports on HUD's activities and programs. The Office of Audit recommends corrective actions to HUD, as necessary, to prevent future



AUDIT PLAN

program or operational problems. Auditors are assigned to headquarters and regional offices.

The Office of Audit conducts audits in accordance with Government Auditing Standards as defined by the Comptroller General. These audits include

1. Financial audits, which determine whether HUD's financial statements are fairly presented, internal controls are adequate, and laws and regulations have been followed.
2. Information system audits, which determine, among other things, the adequacy of general and application controls and whether the security of information resources is adequate and complies with system development requirements.
3. Performance audits, which determine whether programs are achieving the desired results or benefits in an efficient and effective manner.

The Office of Audit also conducts civil fraud reviews to identify fraud and make referrals for civil actions and administrative sanctions against entities and individuals that commit fraud against HUD. In addition, the Joint Civil Fraud Division (consisting of the Office of Audit and the Office of Investigation) provides case support to the U.S. Department of Justice, Civil Division; United States Attorney's Offices nationwide; and HUD's Office of General Counsel to investigate and pursue civil fraud and administrative cases.

The Audit Planning Process

Audit planning is a continuing process to focus resources on areas of greatest benefit to the taxpayer and HUD. The Office of Audit's broad goal in developing an audit plan is to help HUD resolve its major management challenges while maximizing results and providing responsive audits.

The process is dynamic in order to address requests and other changes throughout the year. The Office of Audit identifies audits through discussions with program officials, the public, and Congress; conducting audits; and reviewing proposed legislation, regulations, and other HUD issuances. It also conducts audits that HUD and Congress request, as well as those identified from OIG's hotline.

Audit Environment at HUD

HUD's primary mission is to create strong, sustainable, inclusive communities and quality, affordable homes for all. HUD does this through a variety of housing and community development programs and insured mortgages.

While HUD is a relatively small agency in terms of staff, it relies on a large number of entities to administer its diverse programs. Among HUD's administrators are hundreds of cities and directly funded grantees that manage HUD's CDBG funds, thousands of PHAs and multifamily housing projects that provide HUD assistance, and thousands of HUD-approved lenders that originate FHA-insured loans.



AUDIT PLAN

HUD's housing finance and subsidy programs represent more than \$1 trillion in long-term Federal financial commitments. HUD is actively involved in foreclosure mitigation, homeownership counseling, and a myriad of efforts to curb mortgage abuse.

HUD's public and Indian housing and community development programs impact the lives of millions of low-income households and the condition of most American communities. A shrinking HUD staff has led to an ever-growing reliance on outside program partners and contractors to perform many critical program functions.

Audit Plan Objectives

The audit plan has the following objectives:

- **Promoting fiscal responsibility and financial accountability,**
- **Strengthening the soundness of public and Indian housing,**
- **Improving HUD's execution of and accountability for grant funds, and**
- **Protecting the integrity of housing insurance and guarantee programs.**

Promoting Fiscal Responsibility and Financial Accountability

HUD's program offices' and government corporations' programmatic and financial management focus is on

- Housing subsidies for low- and moderate-income families,
- Grants to States and communities for community development activities,
- Direct loans and capital advances for the construction and rehabilitation of housing projects for the elderly and persons with disabilities,
- Promoting and enforcing fair housing and equal housing opportunity,
- Insuring mortgages for single-family and multifamily dwellings,
- Insuring loans for home improvements and manufactured homes, and
- Facilitating financing for the purchase or refinancing of homes.

HUD accomplishes these missions through a decentralized structure of program offices and government corporations.

HUD OIG will conduct the annual financial statement audit, which includes all of HUD's components. In that audit, OIG tests HUD's compliance with accounting standards, financial management controls, financial systems, financial reporting, and financial laws and regulations.



AUDIT PLAN

It also audits FHA and Ginnie Mae financial statements. In addition, OIG will conduct program audits of specific financial management functions to determine the effectiveness of HUD's implementation of program financial accountability requirements.

Strengthening the Soundness of Public and Indian Housing

HUD provides housing assistance funds to PHAs under various grant and subsidy programs. These intermediaries, in turn, provide housing assistance to benefit primarily low-income households. HUD's strategic goals for promoting public and Indian housing efforts are to meet the needs for quality affordable housing, use housing as a means to improve the quality of life for participants, and build inclusive, sustainable communities free from discrimination.

The Office of Public and Indian Housing (PIH) provides funding for rent subsidies through its public housing operating subsidies and tenant-based Section 8 rental assistance programs. These programs are administered by about 3,200 PHAs, which are to provide housing to low-income families or make assistance payments to private owners that lease their rental units to assisted families. In FY 2016, there are approximately 1.1 million public housing units occupied by tenants. These units are under the direct management of the PHAs.

The Moving to Work demonstration program gives PHAs the opportunity to design and test innovative, locally developed strategies that are designed to use Federal dollars more efficiently, help residents become self-sufficient, and increase housing choices for low-income families. The demonstration program gives PHAs exemptions from many public housing rules and more flexibility in how they use their Federal funds. OIG has issued one report on the Moving to Work demonstration program, focusing on the need for HUD to develop criteria to evaluate the success of the program, and one report on lobbying expenses at these agencies. OIG will continue to evaluate how well HUD monitors these PHAs.

Improving HUD's Execution of and Accountability for Grant Funds

HUD awards grants to all levels of government and to the private sector for developing viable communities by promoting integrated approaches that provide decent housing, suitable living environments, and expanded economic opportunities for low- and moderate-income persons. OIG plans to focus on significant areas related to the lack of controls over and accountability for grant funds. In addition, OIG plans to review HUD's oversight of subrecipients as well as HUD's enforcement of returning unobligated or unspent funds.

Protecting the Integrity of Housing Insurance and Guarantee Programs

FHA is the Federal Government's single largest program to extend home ownership to individuals and families who lack the savings, credit history, or income to qualify for a conventional mortgage. The FY 2015 independent actuary estimated that the FHA insurance fund's overall economic net worth had improved by \$19 billion, from positive \$4.7 billion to positive \$23.8 billion, while its capital ratio had improved from positive 0.41 percent to positive 2.07 percent. The seriously delinquent rate, an indicator of future claim costs, had decreased by 1.13 percentage points by the end of FY 2015. This deviation is attributable to a combination of



AUDIT PLAN

continued foreclosure, processing delays in many States, and servicing actions to promote home retention. At the end of December 2015, FHA had nearly 7.8 million single-family mortgages in force with an amortized balance of almost \$1.1 trillion. OIG plans to continue its efforts in external and internal audits of HUD's activities in the single-family mortgage industry.

Changes in the single-family mortgage industry and the meltdown of the subprime market require continual emphasis on single-family lenders by OIG. The economic slowdown increased demand for loss mitigation actions, including but not limited to loan modifications and other types of mortgage assistance. The U.S. Department of the Treasury and HUD have extended the Obama Administration's Making Home Affordable Program through December 31, 2016. The new deadline was determined in coordination with the Federal Housing Finance Agency to align with extended deadlines for the Home Affordable Refinance Program and the Streamlined Modification Initiative for homeowners with loans owned or guaranteed by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. Therefore, OIG plans to continue its efforts in external audits of servicers and internal audits of HUD's activities in loan mitigation activities.

Following the meaningful impact of its prior servicer reviews, OIG is working with various assistant U.S. attorneys in its reviews of the loan origination practices of large lenders to determine their compliance with FHA requirements. The Office of Audit is placing an emphasis on civil mortgage fraud and will actively seek out instances involving false claims deserving civil complaints to recover Federal funds.

Lenders are targeted for audit through the use of data-mining techniques, along with prioritizing audit requests from outside sources. All appropriate enforcement actions will be pursued against lenders through referrals to the Mortgagee Review Board, the Office of Program Enforcement, the Enforcement Center, and OIG's own Office of Investigation.

Significant Mandated Audits

Congress has tasked OIG with legislated reporting. For example, the Appropriations Committee tasked OIG with audit responsibility for the \$3.5 billion in Disaster Recovery Assistance funding provided to New York City as a result of the September 11, 2001, terrorist attacks. The task involves reporting once a year.

The Disaster Relief Appropriations Act of 2013 provided \$16 billion (\$15.18 billion after sequestration) in CDBG funds for necessary expenses related to disaster relief and long-term recovery for disasters that occurred in 2011, 2012, and 2013. The Act also provided \$10 million to OIG for the necessary costs of overseeing and auditing CDBG Disaster Recovery funds. OIG has oversight responsibilities for these CDBG funds and will perform disaster reviews as part of its annual audit plan. OIG has been proactive in the oversight of Hurricane Sandy funding. It has completed 20 audits and has 15 ongoing audits in the affected States.

In addition to the HUD-specific mandates issued by Congress, all OIGs must meet several governmentwide legislative mandates annually. The most significant requirement



AUDIT PLAN

involves the audits of HUD's, FHA's, and Ginnie Mae's financial statements as required by the Chief Financial Officers Act. Additionally, we perform the following mandated audits.

The Information Systems Audit Division assists the Financial Audit Division in completing the annual audit of HUD's financial statements using the U.S. Government Accountability Office's Federal Information System Controls Audit Manual (FISCAM). Once the significant accounting applications are identified and the computer systems involved in those applications are determined, FISCAM is used as a guide to assess computer-related controls. Components of internal control include general and application controls. General controls are the entity wide security management program, access control, application software development and change control, system software control, segregation of duties, and service continuity control. Application controls are authorization control, completeness control, accuracy control, and control over integrity of processing and data files. FISCAM is used to assess these controls. Information system security controls are also addressed in Office of Management and Budget (OMB) Circular A-130, Management of Federal Information Resources; in the National Institute of Standards and Technology computer security handbooks; and other publications.

The Improper Payments Information Act of 2002 (IPIA) required the head of each agency to annually review all programs and activities the agency administered, identify all such programs and activities that might be susceptible to significant improper payments, and report estimated improper payments for each program or activity identified as susceptible. For programs with estimated improper payments exceeding \$10 million, IPIA required agencies to report the causes of the improper payments, actions taken to correct the causes, and the results of the actions taken. The Improper Payments Elimination and Recovery Act of 2010 amended IPIA to decrease the frequency with which each agency was required to review all of its programs but increased Federal agencies' responsibilities and reporting requirements to eliminate and recover improper payments and required each agency inspector general to determine whether the agency complied with IPIA. OIG annually issues a report to document its findings.

The Charge Card Abuse Prevention Act of 2012 requires OIG to (1) conduct periodic assessments of the agency charge card programs; (2) identify and analyze the risk of illegal, improper, or erroneous purchases and payments; (3) perform analyses or audits as necessary; (4) report to the head of the executive agency concerns regarding the results of such analyses or audits; and (5) report to the Director of the OMB on the implementation of recommendations made to the head of the executive agency. In accordance with the Charge Card Act, OIG and HUD submit a semiannual joint purchase and integrated card violation report to the Director of OMB that describes confirmed violations involving the misuse of charge cards and disciplinary actions taken.

The Federal Information Security Modernization Act of 2014 (FISMA) assigns responsibilities to various agencies to ensure the security of data in the Federal Government. FISMA requires agency program officials, chief information officers, and inspectors general to conduct annual reviews of the agency's information security program and report the results to OMB. OMB uses these data to assist in its oversight responsibilities and to prepare this annual report to Congress on agency compliance with the Act.



AUDIT PLAN

21 U.S.C. (United States Code) 1704 (d) and the Office of National Drug Control Policy's (ONDCP) Circular, Accounting of Drug Control Funding and Performance Summary of January 2013 (Circular) direct inspectors general to report annually on their review of the drug-related obligations of their agency. We submitted our report for FY 2015 on February 1, 2016, to the Director of ONDCP.

The Digital Accountability and Transparency Act of 2014 (DATA Act) aims to make information on Federal expenditures more easily accessible and transparent. The law requires the U.S. Department of the Treasury to establish common standards for financial data provided by all government agencies and to expand the amount of data that agencies must provide to the government Web site, USASpending.gov. The goal of the law is to improve the ability of Americans to track and understand how the government is spending money. The inspector general of each Federal agency is directed to (1) review a statistically valid sampling of the spending data submitted under this Act by the Federal agency; and (2) submit to Congress and make publicly available a report assessing the completeness, timeliness, quality, and accuracy of the data sampled and the implementation and use of data standards by the Federal agency. OIG's first report under the DATA Act is due 18 months after OMB and Treasury issue guidance for agencies on reporting.

The Grants Oversight and New Efficiency Act requires OMB to instruct each agency to submit a report to Congress and the U.S. Department of Health and Human Services by December 31, 2016. The report will list each Federal grant award held and the challenges leading to delays in grant closeout. It will also detail why each of the 30 oldest Federal grant awards have not been closed out. Each agency, within 1 year after submitting its report, will report which awards have not been closed out. The inspector general of an agency with more than \$500 million in annual grant funding, within 1 year after such agency has provided the report, will conduct a risk assessment to determine whether an audit or review of the agency's grant closeout process is warranted.

The Cybersecurity Act of 2015, part of the Consolidated Appropriations Act, 2016, calls for each inspector general to submit a report dealing specifically with national security systems or Federal computer systems that provide access to personally identifiable information. The Act requires that each report be submitted in September 2016 and include:

- Logical access policies and practices;
- Logical access controls and multifactor authentication;
- Inventories of software present (on systems containing personally identifiable information);
- Capability to monitor and detect exfiltration and other threats, including
 - Data loss prevention capabilities,
 - Forensics and visibility capabilities, and
 - Digital rights management capabilities; and
- Policies and procedures to ensure that entities (for example, contractors) providing services to the agency are implementing the monitoring and detection capabilities described in the bullet above.



AUDIT PLAN

ONGOING AND PLANNED INTERNAL AUDITS

- * *Audit contributes to promoting fiscal responsibility and financial accountability*
- ** *Audit contributes to strengthening the soundness of public and Indian housing*
- *** *Audit contributes to improving HUD’s execution of and accountability for grant funds*
- **** *Audit contributes to protecting the integrity of housing insurance and guarantee programs*
- (a) *Audit is a significant mandated audit*

Program areas and objectives	Lead region	Start date	Final report target date
Single-family housing-FHA			
**** HUD’s oversight of downpayment assistance programs and related FHA loan originations (LA-16-0011): To determine whether HUD has adequate controls in place to ensure that FHA loans with downpayment assistance complied with HUD requirements and determine the extent of risk imposed on HUD’s Single Family Mortgage Insurance program.	Los Angeles	November 2015	October 2016
**** Adequacy of HUD’s process for making changes to FHA programs, policies, and operations (LA-16-0012): To determine whether HUD followed the proper requirements and procedures when implementing changes to FHA programs, policies, and operations.	Los Angeles	November 2015	October 2016
**** FHA overpayments for delayed claims (KC-16-0017): To determine whether HUD had adequate controls to prevent it from overpaying lenders for claims on properties that were not foreclosed on or conveyed on time.	Kansas City	May 2016	October 2016
**** Oversight of HUD’s Distressed Asset Stabilization Program: To determine whether HUD had adequate oversight of its Distressed Asset Stabilization Program.	Kansas City	September 2016	May 2017
**** FHA safe water requirements – nationwide: To determine whether HUD ensured that properties approved for mortgage insurance had a continuing and sufficient supply of safe and potable water.	Philadelphia	October 2016	July 2017



AUDIT PLAN

Program areas and objectives	Lead region	Start date	Final report target date
<p>**** FHA loans to tax debtors: To determine whether FHA insured loans made to individuals who owed tax debts to the Internal Revenue Service.</p>	Kansas City	September 2016	April 2017
<p>**** HUD's oversight of servicers' use of loss mitigation options for single-family FHA-insured loans: To determine whether HUD had adequate controls in place to ensure that servicers of single-family FHA-insured loans evaluated borrowers for loss mitigation.</p>	Los Angeles	November 2016	May 2017
<p>**** Enforcement of voluntary single-family insurance termination requirements: To determine whether FHA ensured that servicers complied with all of the requirements for voluntary termination of insurance coverage.</p>	Kansas City	October 2016	April 2017
<p>**** Oversight of nonbanks servicing loans in Ginnie Mae pools: To determine: 1) the extent and impact that nonbanks have on the servicing of FHA insured loans and the risk that has on the insurance fund and to the borrowers; 2) whether Ginnie Mae had adequate oversight on the nonbanks' servicing of FHA-insured loans and ensuring their compliance with applicable regulations while managing risk to an acceptable level; and 3) the extent of additional risk that nonbank servicers have on Ginnie Mae's mortgage backed securities and the extent of Ginnie Mae's financial requirements of nonbanks and its oversight capabilities to manage the risk.</p>	Kansas City	February 2017	July 2017
<p>**** HUD's oversight of fees charged in connection with FHA loans: To determine whether HUD had adequate oversight of fees charged to borrowers in connection with an FHA loan to ensure they were allowable, reasonable, and necessary.</p>	Los Angeles	March 2017	December 2017
<p>**** FHA single-family loss mitigation policy risk analysis: To determine whether HUD had adequate procedures in place to assess the risk of FHA single-family loss mitigation program policy decisions.</p>	Los Angeles	April 2017	November 2017
<p>**** HUD's controls over the recovery of claims that were improperly paid: To determine whether HUD had adequate controls in place to ensure that collections owed for loss mitigation claims were recovered when HUD determined the claims to be ineligible.</p>	Los Angeles	April 2017	November 2017



AUDIT PLAN

Program areas and objectives	Lead region	Start date	Final report target date
<p>**** FHA preforeclosure claim debenture interest curtailment: To determine whether HUD paid excessive debenture interest due to untimely lender preforeclosure actions.</p>	Los Angeles	April 2017	December 2017
Community planning and development			
<p>*** HUD compliance with the interagency disaster recovery delivery sequence and its impact on the duplication of benefits (KC-16-0015): To determine whether CDBG Disaster Recovery guidance followed Federal Emergency Management Agency regulations and interagency agreements on the delivery sequence for disaster recovery funding and resulting duplication of benefits requirements.</p>	Kansas City	April 2016	December 2016
<p>*** HUD monitoring of the Section 108 loan guarantee program (AT-16-0012): To determine whether HUD effectively monitored Section 108-funded activities to ensure that they met a national objective of the CDBG program and fully provided the intended benefits and that borrowers followed loan agreement provisions.</p>	Atlanta	April 2016	January 2017
<p>*** HUD oversight of congressional grant obligations: To determine how HUD monitors Economic Development Initiative-Special Purpose and Neighborhood Initiative congressional grant obligations.</p>	Los Angeles	October 2016	April 2017
<p>*** Review of HUD controls over direct home-ownership assistance using CPD funding: To determine whether HUD had implemented sufficient controls to oversee Office of Community Planning and Development (CPD) funding for direct home-ownership assistance activities.</p>	Philadelphia	September 2016	July 2017
<p>*** HUD's Monitoring of State CDBG grantees: To determine whether HUD's monitoring of State CDBG grantees provided the States with needed guidance to administer CDBG funds in accordance with requirements.</p>	Fort Worth	October 2016	July 2017
<p>*** Review of HOME funds status: To determine whether HUD has properly (1) determined the status of inactive projects; and (2) completed the project.</p>	Atlanta	March 2017	December 2017



AUDIT PLAN

Program areas and objectives	Lead region	Start date	Final report target date
<p>*** HUD oversight of the disposition of real properties previously assisted with CDBG funds: To determine whether HUD has adequate regulations and controls to ensure that CDBG recipients imposed liens or other deed restrictions so that HUD’s interest in assisted properties would be protected and that CDBG program income generated from the disposition of assisted properties was reported in the Integrated Disbursement Information System and used for eligible CDBG activities.</p>	New York	January 2017	October 2017
<p>*** CPD’s CDBG Disaster Recovery funding requirements: To determine whether HUD should formalize its CDBG Disaster Recovery funding as a program in the Code of Federal Regulations.</p>	Fort Worth	February 2017	November 2017
<p>*** HUD’s oversight of the recapture and reallocation of unobligated or unexpended Emergency Solutions Grant (ESG) funds: To determine whether HUD is effectively recapturing and reallocating unobligated or unexpended ESG funds.</p>	Atlanta	March 2017	December 2017
Public and Indian housing			
<p>*** HUD’s oversight of PHAs’ expenditures for outside legal services (PH-13-0001): To determine whether HUD needs to develop and implement controls to monitor PHAs’ expenditures for outside legal services to ensure that the services are reasonable, necessary, and procured according to applicable requirements (non-American Recovery and Reinvestment Act funds).</p>	Philadelphia	October 2012	September 2016
<p>*** HUD’s verification of PHAs’ Operating Fund calculations (NY-16-0003): To determine whether HUD verified Public Housing Operating Fund calculations to ensure that PHAs received the amounts for which they were eligible and recaptured any excess subsidies provided.</p>	New York	December 2015	September 2016



AUDIT PLAN

Program areas and objectives	Lead region	Start date	Final report target date
<p>** PIH's controls over required conversions of distressed housing projects (NY-16-0005): To determine whether HUD (1) adequately administered the conversion program and facilitated compliance by identifying distressed unit clusters that its PHAs could recognize, (2) provided assistance to its PHAs that were having difficulty determining what distressed units were identified in the required conversion candidates reports that were issued by its Special Applications Center and preparing a conversion plan in response to identified clusters, and (3) replaced the requirements of the conversion program with some other program.</p>	New York	February 2016	October 2016
<p>** Database analysis of family participation in public housing and tenant and project-based Section 8 rental assistance programs (KC-16-0013): To determine whether PIH and Office of Multifamily Housing Programs Section 8 program participants were concurrently enrolled in tenant- and project-based rent subsidy and public housing programs.</p>	Kansas City	April 2016	October 2016
<p>** PHA measures in collecting debts: To determine whether HUD ensured PHAs were taking all measures available in collecting debts from households that ended their participation in the public housing program.</p>	Kansas City	September 2016	February 2017
<p>** HUD oversight of the Family Self-Sufficiency program: To determine whether HUD needs to update its policies and regulations to increase the success rate of its Family-Self-Sufficiency program.</p>	Philadelphia	October 2016	August 2017
<p>*** HUD's procedures to track IHBG investments to ensure that grantees do not hold funds past the 5 year investment period: To examine grantees authorized to invest IHBG funds and determine whether they held funds beyond the 5 year investment period to ensure compliance with the requirements for IHBG investments.</p>	Kansas City	October 2016	March 2017
<p>** HUD's oversight of lead based paint prevention in public housing: To determine whether HUD had adequate oversight of lead-based paint reporting and remediation in public housing.</p>	Chicago	October 2016	July 2017



AUDIT PLAN

Program areas and objectives	Lead region	Start date	Final report target date
** PHAs expensing of employee benefits: To determine: (1) whether HUD had issued adequate criteria for expensing, and determining the adequacy, of employee benefits at PHAs and (2) the actuarial pension liability at PHAs on a national scale.	Boston	December 2016	September 2017
** HUD's calculation of the asset repositioning fee: To determine whether HUD had adequate controls to provide assurance that asset repositioning fees were accurately calculated.	New York	January 2017	September 2017
*** Single grant numbering system for IHBG: To determine whether the Office of Native American Programs' use of a single grant numbering system for all Indian Housing Block Grant (IHBG) years allowed for adequate accountability for grant funds.	Los Angeles	January 2017	August 2017
** Flat rent requirement compliance: To determine whether PHAs complied with HUD's flat rent requirements.	Kansas City	February 2017	September 2017
** Registered sex offenders in Section 8 and public housing: To determine whether HUD subsidized housing occupied by registered sex offenders.	Kansas City	March 2017	September 2017
Multifamily housing-FHA			
**** HUD's implementation of use agreement (LA-16-0021): To determine whether HUD provided sufficient guidance to owners and management agents to ensure compliance with use agreement restrictions for affordable set-aside units as a condition of partial payment of claims.	Los Angeles	June 2016	November 2016
**** HUD asset management monitoring of Section 232 nursing homes with identity of interest management agents and evaluation of the physical conditions of nursing homes: To (1) evaluate HUD's monitoring of underperforming nursing homes and identify actions taken to monitor nursing homes with Identity of Interest management agents to reduce the possibility of equity skimming and (2) determine whether the Office of Residential Care Facilities had proper information to adequately evaluate the physical condition of its nursing homes.	Boston	October 2016	July 2017



AUDIT PLAN

Program areas and objectives	Lead region	Start date	Final report target date
<p>**** Housing assistance overpayments from higher section 8 rents in cooperative multifamily housing projects: To determine how much excess housing assistance was paid each month for Section 8 units that were charged higher rents than non-Section 8 units in the same cooperative multifamily project.</p>	Kansas City	January 2017	September 2017
Information systems (IS) audits			
<p>* Review of the release 3 functionality of the New Core Interface Solution (DP-16-0002): To determine whether adequate internal controls were in place for the release 3 functionality of the New Core Interface Solution.</p>	IS Audit	November 2015	September 2016
<p>* Review of information system controls over Ginnie Mae (DP-16-0005): To evaluate general and application controls for Ginnie Mae systems' compliance with HUD information technology policies and Federal information system security and financial management requirements.</p>	IS Audit	February 2016	October 2016
<p>* Review of OCFO financial management system functionality (DP-15-0007): To assess general and application controls for selected Office of the Chief Financial Officer (OCFO) financial systems for compliance with HUD information technology policies and Federal information system security and financial management requirements.</p>	IS Audit	March 2016	October 2016
<p>* Review of information system controls over FHA (DP-16-0009): To assess the effectiveness of general and application controls over the Single Family Asset Management System and the Single Family Premium Collection Subsystem-Periodic in HUD's computing environment for compliance with HUD information technology policies and Federal information system security and financial management requirements.</p>	IS Audit	April 2016	October 2016
<p>*Federal Information System Controls Audit Manual review (DP-16-0008): To assess management controls over HUD's computing environment as part of the internal control assessments required for the FY 2016 consolidated financial statement audit under the Chief Financial Officers Act of 1990.</p>	IS Audit	April 2016	October 2016



AUDIT PLAN

Program areas and objectives	Lead region	Start date	Final report target date
Administrative-other			
* Review of HUD’s procurement of major service contracts (BO-16-0002): To determine whether HUD had adequate procedures in place to plan and monitor major service contracts to prevent waste and abuse.	Boston	October 2015	November 2016
(a) Review of HUD’s FY 2016 compliance with the charge card program (FO-16-0302): To complete the required annual risk assessment of HUD’s charge cards.	Financial Audit	December 2015	May 2017
(a) FY 2016 consolidated financial statement audit (FO-16-0001): To perform the annual consolidated financial statement audit as required by the Chief Financial Officers Act as amended.	Financial Audit	January 2016	November 2016
(a) FHA financial statement audit (FO-16-0100): To express an opinion on FHA’s FY 2016 financial statements.	Financial Audit	February 2016	November 2016
(a) Ginnie Mae financial statement audit (FO-16-0200): To express an opinion on Ginnie Mae’s principal financial statements.	Financial Audit	February 2016	November 2016
* Review of HUD’s debt collections process: To determine whether HUD followed its requirements for managing and collecting debts.	Los Angeles	November 2016	July 2017
(a)Data Act readiness assessment: To (1) gain an understanding of HUD’s processes, systems and controls, which HUD has implemented, or plans to implement, to report HUDs expenditures and link Federal contract, loan, and grant spending information in accordance with the requirements of the DATA Act and use this understanding to develop an audit methodology for future OIG reviews required by the DATA Act; (2) re-assess whether HUD’s Data Act implementation plan or process is on track to meet the requirements of the DATA Act; (3) provide recommendations on how to improve the likelihood of compliance with the requirements of the DATA Act prior to implementation; and (4) determine whether HUD has taken appropriate corrective action to address open recommendations.	Financial Audit	November 2016	January 2017



AUDIT PLAN

Program areas and objectives	Lead region	Start date	Final report target date
<p>(a)FY 2016 Improper Payments Elimination and Recovery Act audit: To (1) determine HUD’s compliance with reporting and improper payment reduction requirements; (2) evaluate the accuracy and completeness of the its reporting of improper payment data, including the agency’s performance in reducing and recapturing improper payments; and (3) evaluate the agency’s assessment of the level of risk associated with the high-priority programs and the quality of the improper payment estimates and methodology.</p>	Financial Audit	November 2016	May 2017
<p>(a)Data Act audit: To (1) review a statistically valid sampling of the spending data submitted under this Act by HUD; and (2) submit to Congress a report assessing the completeness, timeliness, quality, and accuracy of the data sampled and the implementation and use of data standards by the federal agency.</p>	Financial Audit	November 2016	November 2017



AUDIT PLAN

EXTERNAL AUDITS

Planning for external audits is subject to a number of factors, such as complaints, requests from HUD and congressional staff, and media attention, none of which can be predicted. The planning of external audits, therefore, is intended to be flexible to enable OIG to perform the highest priority work at hand. Depending on the volume and nature of audit requests, OIG intends to selectively target high-risk programs and jurisdictions. Priorities have been determined based on the HUD OIG strategic plan and areas of interest to OIG's stakeholders, particularly Congress. With this in mind, the following types of external audits have been identified as priority areas during this planning cycle. As the opportunity permits, OIG audit managers will focus their audit resources on the following areas.

Single-family lenders: Single-family lender origination and servicing reviews continue to be a priority for FY 2016 due to the abuses being experienced in single-family programs. A specialized audit program has been developed to target lenders, considering a number of high-risk indicators. In addition to its being a goal in HUD OIG's strategic plan, there continues to be congressional interest in OIG's audits of single-family programs. In addition, OIG plans to perform audits of mortgage companies' underwriting procedures and servicers performing loss mitigation actions.

Community planning and development: In an effort to continue its emphasis on improving efficiency and effectiveness, OIG continues to emphasize this program area. Congress has taken an interest in improving the efficiency of the HOME program. HUD OIG has longstanding concerns regarding the financial management controls over community planning and development formula grant programs and will continue to focus on audits of HOME grantees and HUD's monitoring of the grantees as well as oversight of CDBG Disaster Recovery funds.

OIG's external audit work regarding grantees commonly finds a lack of adequate controls, including issues with subgrantee activities, resale and recapture provisions to enforce HUD's affordability requirements, incorrect reporting of program accomplishments, inadequate supporting documentation and ineligible expenses. There is also a repetitive thread of not always meeting the objectives of the program to provide affordable housing or not always meeting local building code requirements. Our audits have found that in some instances, little or no monitoring occurred, particularly at the subgrantee level. HUD focuses its monitoring activities at the grantee level through its field offices. Grantees, in turn, are responsible for monitoring their subgrantees. OIG has concerns regarding the capacity of subgrantees receiving funding from HUD programs, including grantees receiving CDBG Disaster Recovery funds. Therefore, audits of grantees and their subgrantee activities will continue to be given emphasis this fiscal year.

In February 2016, OIG and HUD's Office of Community Planning and Development began a joint collaboration to assist grantees and subgrantees in the areas in which OIG audit reports determined the grantees and subgrantees were most vulnerable. The work group determined that assistance should be provided in the following areas:



AUDIT PLAN

- Procurement and contracting,
- Subrecipient oversight,
- Conflicts of interest,
- Internal controls,
- Documentations and reporting,
- Financial management.

The work group began meeting to develop a series of “integrity bulletins” aimed at providing the grantees and subgrantees with information to help safeguard program funds and ensure that communities get the full benefit of awarded funding. The bulletins on procurement and contracting and conflicts of interest were sent to grantees and subgrantees in July 2016 and the group continues to work on the remaining bulletins.

Public and Indian housing: The low-income program serves approximately 1.2 million households. The Section 8 Housing Choice Voucher program serves more than 2 million households. As part of an overall OIG initiative, tenant eligibility and accuracy of rental assistance payments will remain an area of audit focus. The quality of housing and the cost of administering these programs are other areas of emphasis that will be addressed as resources permit. OIG will take a close look at various PHAs to ensure that they sufficiently administer HUD’s programs in accordance with regulations and guidance.

Multifamily and insured health care project audits: In fiscal year 2015, demand for FHA’s multifamily and health care programs remained strong, reflecting the countercyclical role HUD played in the market. FHA had increased its focus on mission-driven affordable lending and energy-efficient design, while continuing to provide financing for borrowers who wanted the stability of long-term, fully amortizing debt. Additionally, FHA had supported special initiatives directed toward the elderly and underserved areas with high concentrations of low-income families. For instance, in FY 2015, the Office of Production issued a notice that would expand the risk share program to allow community development financial institutions and other mission-oriented lenders to use the program. This should increase the flow of credit to small multifamily properties and demonstrate the effectiveness of providing Federal credit enhancement for refinancing and rehabilitation of such housing.

In FY 2015, FHA (1) initially endorsed 861 multifamily apartment loans totaling \$9.3 billion and 21 risk-sharing loans totaling \$197.3 million; (2) continued the Green Preservation Plus Initiative, a partnership with Fannie Mae and government sponsored entities to increase energy efficient upgrades in older affordable properties; and (3) started a partnership with the U.S. Department of the Treasury’s Federal Finance Bank to implement a funding mechanism that will make risk-sharing pricing comparable to Ginnie Mae executions. This should increase affordable housing volume in FY 2016. As of September 30, 2015, FHA’s multifamily-insured portfolio totaled 14,024 mortgages with a total unpaid principal balance of approximately \$104.8 billion.

The Office of Multifamily Housing Programs continues to move forward with the Multifamily for Tomorrow transformation initiative. Through this initiative, the Office of



AUDIT PLAN

Multifamily Housing Programs is modernizing and improving its business model for partners and stakeholders, cultivating an exceptional environment for employees and realizing savings. In FY 2015, HUD made significant improvements through breaking ground in production and sustaining investments in Office of Asset Management and Portfolio Oversight.

OIG has not reviewed the Multifamily for Tomorrow initiative; however, OIG will continue to focus on multifamily programs to ensure that HUD limits its risk. It will also continue to focus on the misuse of project operating funds, also known as equity skimming.

In FY 2015, FHA's Office of Hospital Facilities issued or approved 6 insurance commitments totaling \$109 million and approved 10 loan interest rate modifications. FHA currently has 109 active hospital loans with unpaid principal balances totaling \$7.3 billion. OIG will evaluate lenders and focus on equity skimming in health care programs as volume continues to increase in this area and regulations have been strengthened to ensure that operators are held to tighter standards regarding cash distributions.